

CONFIDENTIAL

EXCISE

D22

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INQUIRE=DOC21D
ITEM NO=00609770
ENVELOPE

CDSN = LGX858 MCN = 93121/18004 TOR = 931211444
RTTCZYUW RUEKJCS8409 1211444-CCCC--RUEALGX.
ZNY CCCCC

HEADER

R 011444Z MAY 93
FM DIA WASHINGTON DC
INFO RUEAHQA/CSAF WASHINGTON DC
RUFGAID/USEUCOM AIDES VAIHINGEN GE
RHCGSRB/COMUSARCENT FT MCPHERSON GA//AFRD-DSO//
RUEOACC/CDRPSYOPGP FT BRAGG NC//AORC-POG-SB//
RUWSMXI/AMC INTEL CEN SCOTT AFB IL//IN//
RUCJACC/USCINCCENT MACDILL AFB FL//CARA//
RUCQVAB/USCINCSOC INTEL OPS CEN MACDILL AFB FL
RUEOFAA/COMJSOC FT BRAGG NC//J2//
RULKQAN/MARCORINTCEN QUANTICO VA
RUEALGX/SAFE

R 011446Z MAY 93
FM AMEMBASSY RIYADH
TO RUEHC/SECSTATE WASHDC 2734
INFO RUEHZM/GCC COLLECTIVE
RUCPDC/USDOC WASHDC
BT

DEPARTMENT OF STATE

() RELEASE () DECLASSIFY
(X) EXCISE (X) DECLASSIFY
() DENY IN PART
() DELETE Non-Responsive Info
FOIA Exemptions B1
PA. Exemptions _____

IS/FPC/CDR

DRP Date: 9/8/94

MR Cases Only:
EO Citations _____

TS authority
() CLASSIFY as () S or () C OAC
() DOWNGRADE TS to () S or () C OAC

CONTROLS

C O N F I D E N T I A L SECTION 01 OF 02 RIYADH 03168

E.O. 12356: DECL: OADR

/***** THIS IS A COMBINED MESSAGE *****/

BODY

TAGS: EFIN, ECPS, EIND, SA
SUBJECT: MORE ON RECENT SAUDI LOANS

REF: RIYADH 2250

1. CONFIDENTIAL - ENTIRE TEXT.

2. SUMMARY: THE NATIONAL COMMERCIAL BANK RECENTLY
SYNDICATED A LOCAL LOAN WORTH USD 392 MILLION TO THE
SAUDI CONSOLIDATED ELECTRIC COMPANY IN THE WESTERN
PROVINCE (SCECO WEST). THREE BIDDERS ON ANOTHER
PROJECT, THE RECENTLY ANNOUNCED RIYADH POWER PLANT
NUMBER NINE, INCLUDING GENERAL ELECTRIC, ARE WATCHING
THE LOAN'S PROGRESS INTENTLY, AS THEY EXPECT SCECO
CENTRAL TO NEED FINANCING FOR THE USD 2 BILLION PP9
PROJECT.

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END SUMMARY.

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SPECIFICS

3. [] CONFIRMED THE DETAILS OF A RECENT LOAN TO SCECO WEST, THE SAUDI CONSOLIDATED ELECTRICITY COMPANY FOR THE WESTERN REGION. HE SAID THE NATIONAL COMMERCIAL BANK (NCB) "WAS MANDATED" TO ARRANGE THE SR 1.470 MILLION (USD 392 MILLION) LOAN. TERMS ARE BELIEVED TO BE 9 YEARS, AT A SPREAD OF BETWEEN ONE HALF AND ONE POINT OVER THE LOCAL INTERBANK RATE. THE LOAN IS MEANT TO FINANCE THE RAGHIB STEAM PLANT EXPANSION. IT IS THE SECOND MAJOR BORROWING BY SCECO WEST IN TWO YEARS.

BANKERS' RELUCTANT:

4. THE PROBLEM WITH SCECO IS THE SAME AS THAT MOST OF THE OTHER INFRASTRUCTURAL PROJECTS HAVE. THERE IS NO PROFITABLE REVENUE SCHEME THAT GIVES THE BANKERS ANY ASSURANCE THAT DEBTS WILL BE HONORED.

5. [] THAT NCB AND MITSUBISHI WORKED HARD TO PUT TOGETHER A PACKAGE FOR SCECO WEST THAT WOULD RESPOND TO SCECO'S NEED FOR EQUIPMENT, AS WELL THE MANUFACTURER'S DESIRE TO MAKE THE SALE. SPECIFICALLY MITSUBISHI LOOKED AT OFFERING FINANCING AT A LOWER COST FOR A SLIGHTLY HIGHER PROJECT COST. THIS EFFORT CAME TO NAUGHT LAST YEAR WHEN THE SAG DROPPED PP9 FROM THE 1992 BUDGET.

[] SAID THEY EXPECTED MORE COMPANIES TO CONSIDER TRADING OFF TAKING SOME FINANCIAL RISK FOR PROJECTS AND OFFERING LOWER-COST FINANCING IN EXCHANGE FOR HIGHER OVERALL PROJECT COSTS.

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ALTERNATIVE :

7. MOF OFFICIALS AND MAJOR COMPANIES HAVE SOUGHT CREATIVE WAYS TO FINANCE INFRASTRUCTURAL PROJECTS FOR THE LAST YEAR. ONE OF THE MORE POPULAR, BUILD OPERATE

/***** BEGINNING OF SECTION 002 *****/
AND TRANSFER (BOT), OFFERS ONLY LIMITED PROSPECTS, IN THE VIEW OF LOCAL BANKERS. WHILE BOT CAN WORK IN SOME CASES, THEY BELIEVE THAT THE KINGDOM'S UTILITIES WILL NOT BE PERMITTED TO CHARGE REASONABLE RATES BECAUSE ACCESS TO CHEAP POWER, WATER AND PHONES ARE TOO POLITICALLY IMPORTANT IN SAUDI ARABIA. WITHOUT SECURE REVENUE STREAMS, THE BOT SCHEMES WOULD HAVE TO BE BACKED BY SAG GUARANTEES,

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8. THE LOCAL SHARES MARKET, IN ANOTHER YEAR OR TWO, OFFERS A WAY OUT FOR MANY SUCCESSFUL LOCAL COMPANIES. TO DATE, HOWEVER, LOCAL BANKERS BELIEVE THAT ONLY THE BANKS HAVE DONE REALLY WELL WITH THEIR SHARE FLATATIONS. COMPANIES LIKE THE SCECO'S CANNOT TURN TO THIS MARKET, THEY BELIEVE,

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NOT OFTEN TRADED, NOR ARE THEY DYNAMIC. SCECO SHARES ARE

9. COMMENT:

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